

Economic Conditions

November 2002

Civilian Labor Force

- By historic standards, the current economic downturn in Virginia remains relatively mild. Virginia's unemployment rate declined by one-tenth of a percentage point in September to 4.1 percent. The last time Virginia's unemployment rate was this high was in September 1996 when it was 4.5 percent. Virginia's economy was not in a recession at that time.
- The September unemployment rate is 45 percent less than the last recession's peak unemployment rate of 7.4 percent in February 1992. The national unemployment rate of 5.4 percent in September is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 155,000 Virginia workers were unemployed in September 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 7,000 more Virginians were unemployed in September than a year earlier—a 4.7 percent increase. In addition, 7,900 *fewer* Virginians were unemployed in September than August 2002.
- Five of Virginia's eight MSA's had September unemployment rates above the statewide average—Danville (7.4 percent), Bristol (6.0 percent), Lynchburg (5.2 percent), Norfolk-Newport News (4.4 percent), and Richmond-Petersburg (4.3 percent).
- Virginia's September unemployment rate was lower than all nearby states (Georgia, Tennessee, Kentucky, West Virginia, South Carolina, and North Carolina) with the exception of Maryland (3.9 percent).

		Sept. 02	Sept. 01	Sept. 01 to Sept. 02	
				Net Change	% Change
Labor Force	VA	3,771,132	3,682,400	88,732	2.4%
	US	142,745,000	141,576,000	1,169,000	0.8%
Employment	VA	3,616,143	3,534,416	81,727	2.3%
	US	135,063,000	134,868,000	195,000	0.1%
Unemployment	VA	154,989	147,984	7,005	4.7%
	US	7,683,000	6,708,000	975,000	14.5%
Unemployment rate	VA	4.1%	4.0%	----	2.5%
	US	5.4%	4.7%	----	14.9%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonagricultural Employment

- Nonagricultural employment declined by 29,900 jobs from August 2001 to August 2002. Compared with the last recession a decade ago, the employment decline during this downturn has been relatively mild. Nonagricultural employment reached a peak in December 2000 and bottomed out in February 2002 after declining 3.9 percent. This compares with a decline of 5.4 percent for the 1991-92 recession.
- In the past it has usually taken from two to three years for nonagricultural employment to recover completely from the effects of a recession. If past experience is any guide, recovery from the current downturn should be complete by mid-summer of next year.
- Government and services were the only sectors of the Virginia economy that grew from August 2001 to August 2002, adding 5,500 and 2,000 jobs, respectively.
- The largest job losses in Virginia from August 2001 to August 2002 were in manufacturing (10,700 jobs), transportation and public utilities (10,300 jobs), construction (10,100 jobs), and wholesale and retail trade (5,200 jobs).
- Since July 1990, services has added more jobs than any other sector of the Virginia economy—420,000—and has grown at a faster rate than any other sector—56.5 percent.

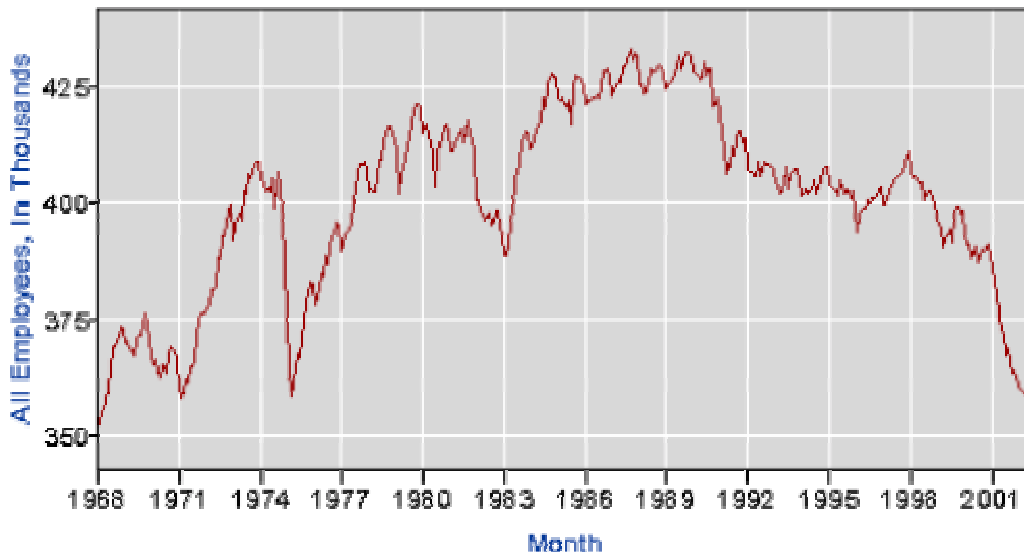
	Current				Historic			
			Aug. 01-Aug. 02				Aug. 90- Aug. 02	
	August 02	August 01	Net Change	%		August 90	Net Change	%
Total	3,486,700	3,516,600	-29,900	-0.9%		2,901,000	585,700	20.2%
Mining	9,900	10,300	-400	-3.9%		15,500	-5,600	-36.1%
Construction	211,200	221,300	-10,100	-4.6%		186,600	24,600	13.2%
Manufacturing	357,800	368,500	-10,700	-2.9%		429,100	-71,300	-16.6%
Trans. and public utilities	178,600	188,900	-10,300	-5.5%		150,800	27,800	18.4%
Wholesale and retail trade	766,100	771,300	-5,200	-0.7%		666,700	99,400	14.9%
Finance, ins., and real estate	195,100	195,800	-700	-0.4%		157,500	37,600	23.9%
Services	1,163,400	1,161,400	2,000	0.2%		743,400	420,000	56.5%
Government	604,600	599,100	5,500	0.9%		551,400	53,200	9.6%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Overview

- Although manufacturing employment in Virginia rebounded slightly in August, it remained at its lowest level in more than 34 years.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. It has declined 17.3 percent since then, losing 74,700 jobs, with textiles and apparel accounting for 44,400 of the total. In comparison, manufacturing declined nationally by 14.1 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.5 million jobs through August 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 36 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 2.9 percent in August from a year earlier. Among neighboring states, three had greater percentage losses (South Carolina, West Virginia, and Maryland). Three states (Georgia, Kentucky, and Tennessee) had smaller losses. North Carolina was the same.
- Due to significant capital investments and improved manufacturing processes, Virginia's manufacturing workers are much more productive than they were in 1980. The inflation-adjusted value added per manufacturing worker in Virginia increased 80 percent from 1980 to 2000. Virginia manufacturers now require significantly fewer workers than they did in 1980 to produce the same or greater output.

Virginia Manufacturing Employment, 1968-2002
(Source: U.S. Dept. of Labor, Bureau of Labor Statistics)



Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 2,600 jobs over the past twelve months, a decline of 1.4 percent.
- Job losses were heaviest in two durable goods industries— furniture (2,100) and electronic equipment (1,700). The largest percentage losses were also in furniture (11.1 percent) and electronic equipment (7.4 percent).
- The only durable goods industries to add jobs over the past twelve months were transportation equipment, lumber, and industrial machinery, which grew by 2,100; 800; and 300 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,700 jobs, a 39.3 percent decline, with no end in sight to the losses. Furniture, also feeling the effects of foreign competition, lost 6,400 jobs (a 27.5 percent loss) during the same period. The weight of foreign imports will fall heavily on this industry in the years ahead.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,400 jobs since July 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases that have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			Aug. 01–Aug. 02				Aug. 90– Aug. 02	
	Aug. 02	Aug. 01	Net Change	%		Aug. 90	Net Change	%
Total manufacturing	357,800	368,500	-10,700	-2.9%		429,100	-71,300	-16.6%
Durable goods	188,400	191,000	-2,600	-1.4%		208,400	-20,000	-9.6%
Lumber	27,000	26,200	800	3.1%		25,000	2,000	8.0%
Furniture	16,900	19,000	-2,100	-11.1%		23,300	-6,400	-27.5%
Stone, clay, glass	11,700	12,600	-900	-7.1%		14,700	-3,000	-20.4%
Primary metals	9,800	9,900	-100	-1.0%		11,500	-1,700	-14.8%
Fabricated metals	17,200	17,600	-400	-2.3%		18,300	-1,100	-6.0%
Ind. machinery	27,800	27,500	300	1.1%		22,400	5,400	24.1%
Electronic equip.	21,200	22,900	-1,700	-7.4%		34,900	-13,700	-39.3%
Trans. equip.	42,200	40,100	2,100	5.2%		45,000	-2,800	-6.2%
Instruments	10,400	10,900	-500	-4.6%		10,200	200	2.0%
Misc. mfg.	4,200	4,300	-100	-2.3%		3,100	1,100	35.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 8,100 jobs over the past 12 months, a decline of 4.6 percent.
- Tobacco products added 900 jobs over the past year. All other nondurables lost jobs.
- The heaviest job losses of the past twelve months were in textiles, apparel, rubber and plastics, paper, food products, and chemicals, which lost a combined total of 8,500 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries are particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have lost jobs since the early 1970s with combined losses totaling 61,000 jobs. However, almost two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will likely cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,200 jobs, 10,900 since 1990 alone.

	Current				Historic			
			Aug. 01–Aug. 02				Aug. 90– Aug. 02	
	Aug. 02	Aug. 01	Net Change	%		Aug. 90	Net Change	%
Total manufacturing	357,800	368,500	-10,700	-2.9%		429,100	-71,300	-16.6%
Nondurable goods	169,400	177,500	-8,100	-4.6%		220,700	-51,300	-23.2%
Food products	38,400	39,000	-600	-1.5%		36,200	2,200	6.1%
Tobacco products	9,500	8,600	900	10.5%		13,500	-4,000	-29.6%
Textiles	19,200	23,700	-4,500	-19.0%		41,100	-21,900	-53.3%
Apparel	7,900	9,300	-1,400	-15.1%		27,700	-19,800	-71.5%
Paper	15,500	16,100	-600	-3.7%		16,900	-1,400	-8.3%
Printing	36,300	36,700	-400	-1.1%		35,700	600	1.7%
Chemicals	19,100	19,600	-500	-2.6%		30,000	-10,900	-36.3%
Rubber/plastics	22,600	23,500	-900	-3.8%		17,200	5,400	31.4%
Petroleum/leather	900	1,000	-100	-10.0%		2,400	-1,500	-62.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 92.2 percent increase followed by engineering and management services, 53.9 percent, and communications, 28.8 percent. This compares with 20.2 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			Aug. 01-Aug. 02				Aug. 90-Aug. 02	
	Aug. 02	Aug. 01	Net Change	%		Aug. 90	Net Change	%
Nonmanufacturing	3,128,900	3,148,100	-19,200	-0.6%		2,471,900	657,000	26.6%
Communications	57,300	60,800	-3,500	-5.8%		44,500	12,800	28.8%
Business services	316,100	326,400	-10,300	-3.2%		164,500	151,600	92.2%
Engineering and management svcs	148,200	142,900	5,300	3.7%		96,300	51,900	53.9%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in September. On a seasonally adjusted basis the CPI-U also increased 0.2 percent in September.
- The index for energy increased at a 13.0 percent seasonally adjusted annual rate in the first nine months of 2002. The annual rate increase for petroleum-based energy was 30.2 percent.
- For the first nine months of 2002, the CPI-U rose at a seasonally adjusted annual rate of 2.6 percent. This compares with a 1.6 percent increase for all of 2001.

Current			Historic		
Sept. 02	% Change, Aug. 02 to Sept. 02	% Change Sept. 01 to Sept. 02	% Change Sept. 90 to Sept. 02	% Change Sept. 80 to Sept. 02	% Change Sept. 70 to Sept. 02
181.0	0.2%	1.5%	36.4%	115.5%	361.7%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Finance

- The federal funds rate was lowered on November 6th to 1.25 percent, the first rate drop since mid-December of last year. One of the most frequently quoted and misunderstood financial indicators, the federal funds rate is at its lowest level in more than four decades.
- The Dow Jones Industrial Average, S&P 500, and NASDAQ are currently 27 percent, 41 percent, and 70 percent, respectively, below their all-time highs of almost three years ago.

	Nov. 02	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
DJIA	8518	7.3%	0.1%	-15.3%	-8.1%
S&P 500	901	6.2%	1.8%	-17.0%	-16.9%
NASDAQ	1361	12.1%	6.3%	-18.9%	-22.1%

	Nov. 02	May 02	Nov. 01
Federal funds rate	1.75%*	1.75%	2.50%
Treasury – 5 year	2.83%	4.36%	3.51%
Treasury – 10 year	3.98%	5.06%	4.22%
Bank prime loan rate	4.75%	4.75%	5.50%

*The Federal funds rate dropped to 1.25 percent on November 6.

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

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